

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 INT-05

FPC-01 FEA-01 /072 W

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R 110343Z FEB 75

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E.O. 11653: ADS, DECLAS 12/31/75

TAGS: EAID, EFIN, RP

SUBJECT: COST OVERRUNS: PHILIPPINE POWER PROJECTS

USADB

FOR NAC AGENCIES

SUMMARY: BIDS RECEIVED FOR FIRST AND SECOND MINDANAO POWER PROJECTS INDICATE SUBSTANTIAL COST OVERRUNS. DESPITE OMISSION OF SOME TRANSMISSION COSTS (ABOUT \$6.0 MILLION FOREX) FROM ORIGINAL SCOPE OF FIRST PROJECT AND EXPECTATION THAT EXIMBANK OF JAPAN WILL FINANCE 85 PERCENT (ABOUT \$10.2 MILLION) OF BID PRICE FOR TURBINE/GENERATORS FOR SECOND PROJECT, COST OVERRUNS FOR TWO PROJECTS EXPECTED TO TOTAL \$24.4 MILLION. PHILIPPINE GOVT HAS ASKED ADB TO FINANCE THIS AMOUNT. APPRAISAL OF SUPPLEMENTARY LOAN PROPOSAL TO FINANCE COMBINED COST OVERRUNS NOW UNDERWAY BY BANK AND WILL BE SUBMITTED TO BOARD SUBSEQUENTLY.

1. ADB DOC. IN 16-75 ENTITLED "FIRST AND SECOND MINDANAO POWER PROJECTS (LOANS NOS. 77-PHI AND LIMITED OFFICIAL USE

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96-PHI). PHILIPPINES" BEING POUCHED NAC AGENCIES

FEB. 11.

2. BANK'S INFORMATION DOCUMENT NOTES THAT \$23.4 MILLION LOAN WAS APPROVED IN NOVEMBER 1971 FOR FIRST MINDANAO POWER PROJECT AND \$21.0 MILLION LOAN IN JULY 1972 FOR SECOND MINANAO POWER PROJECT, BOTH FROM ORDINARY CAPITAL RESOURCES. BIDS RECEIVED FOR TWO PROJECTS INDICATE THAT FOREX REQUIREMENTS WOULD SUBSTANTIALLY EXCEED LOAN AMOUNTS.

3. IN APRIL 1974 PHILIPPINE GIVERNMENT (GUARANTOR) REQUESTED BANK TO FINANCE ESTIMATED \$18.4 MILLION FOREX COST OVERRUN OF FIRST MINDANAO POWER PROJECT. ALL CONTRACTS HAVE NOW BEEN AWARDED EXCEPT FOR SUB-STATION EQUIPMENT, WHICH IS CURRENTLY UNDER EVALUA-TION. SUBSEQUENTLY, ACCORDING TO DOCUMENT, IT WAS PROPOSED TO OMIT AGUS-COTABATO-GENERAL SANTOS 138 KV TRANSMISSION LINE (INCLUDING CERTAIN 69 KV LINES) FROM ORIGINAL SCOPE OF PROJECT. RESULTING COST OVERRUN, AFTER PROPOSED OMISSION (ABOUT \$6.0 MILLION FOREX COST REDUCTION) TAKEN INTO ACCOUNT, NOW ESTIMATED AT \$13.0 MILLION BY NATIONAL POWER CORPORATION (NPC), THE EXECUTING AGENCY.

4. ON JANUARY 21, 1975, BANK RECEIVED APPLIATION FROM NPC TO FINANCE FOREX COST OVERRUN OF SECOND MINDANAO POWER PROJECT. FOREX COST OF PROJECT NOW ESTIMATED AT \$42.6 MILLION INSTEAD OF ORIGINAL \$21.0 MILLION, OR INCREASE OF \$21.6 MILLION. HOWEVER, EXIMBANK OF JAPAN IS EXPECTED TO FINANCE 85 PERCENT (ABOUT \$10.2 MILLION, OF BID PRICE FOR TUBINE/GENERA-TORS, LEAVING ABOUT \$11.4 MILLION FOR PROPOSED FINANCING BY BANK. HENCE, ADDITIONAL BANK FINANCING IS BEING REQUESTED FOR NET ADDITIONAL \$24.4 MILLION FOR TWO PROJECTS.

5. BANK JUSTIFYING COMBINING TWO COST OVERRUNS FOR SUPPLEMENTARY LOAN PROPOSAL BECAUSE THEY COMPLEMENT EACH OTHER AND CONSTITUTE ONE INTEGRAL POWER DEVELOPMENT PROGRAM FINANCED BY BANK IN TWO STAGES.
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FIRST AND SECOND MINDANAO POWER PROJECTS EXPECTED TO BE COMPLETED BY MAY AND JUNE 1977 RESPECTIVELY. BY COMBINING TWO COST OVERRUNS INTO ONE SUPPLE-MENTARY LOAN PROPOSAL, BANK ASSERTS IMPLEMENTATION WOULD BE EXPEDITED AND ECONOMIC USE OF STAFF WOULD BE MADE.

6. DOCUMENT CONCLUDES THAT APPRAISAL OF COMBINED

SUPPLEMENTARY LOAN PROPOSAL IS UNDERWAY AND WILL
BE SUBMITTED IN DUE COURSE FOR BOARD CONSIDERATION.
APPRAISAL WILL DEAL WITH WHETHER OTHER SOURCES
OF FINANCING ON REASONABLE TERMS ARE AVAILABLE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANK LOANS, HYDROELECTRIC POWER PLANTS, MINDANAO POWER PROJECT
Control Number: n/a
Copy: SINGLE
Draft Date: 11 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA01813
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750048-0998
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750254/aaaabwjpg.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2003 by ShawDG>; APPROVED <19 NOV 2003 by ElyME>
Review Markings:

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Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COST OVERRUNS: PHILIPPINE POWER PROJECTS USADB
TAGS: EAID, EFIN, RP, ADB-1, XMB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006